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Spain

Cotton and Products Annual

2017

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Report Highlights:

Spanish area planted to cotton for MY 2017/18 will show marginal growth compared to 2016/17 levels. AITPA, the Spanish cotton industry board, points to the increase in exports markets as the main driver for the textile products output recovery.

Disclaimer: This report presents the situation for cotton in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

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Abbreviations used in this report

AITPA Association for Industrial Textile Cotton Processing
Bales (1 Bale = 217.724 kg =480 lbs)
EU European Union
FAS Foreign Agricultural Service
GE Genetically engineered
GTA Global Trade Atlas
Ha Hectares (1 Ha = 2.471 acres)
Harmonized Codes for Lint Cotton (HS code): 5201
MAPAMA: Ministry of Agriculture, Fisheries, Food and Environment
MS EU Member State(s)
MT Metric ton (1,000 kg)
MY Marketing year (Aug/Jul)
N/A Not Available
PS&D Production, Supply and Demand

Executive Summary

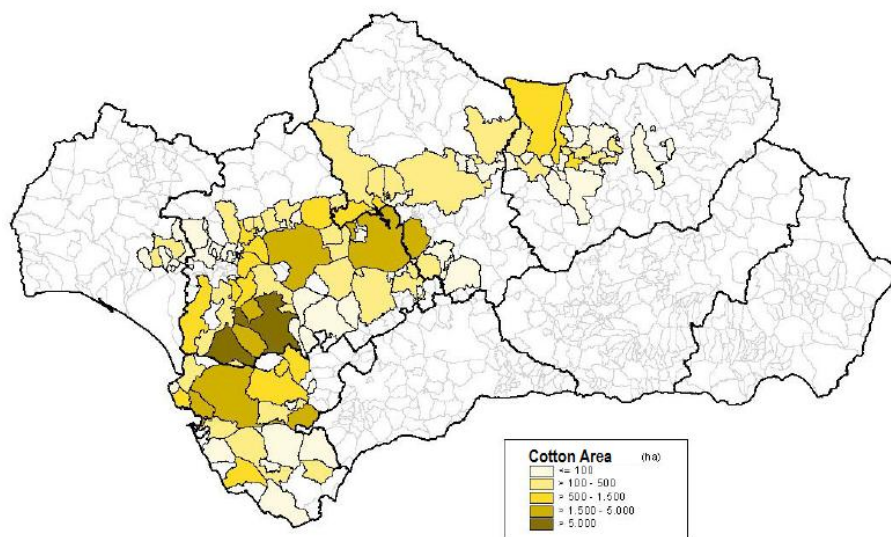
Spain is the EU's second largest cotton growing Member State after Greece. Cotton production in Spain is concentrated in Andalucía, Spain's southernmost region. Cotton is a critical crop from the environmental, social and economic activity in the areas where it is grown, as alternatives are limited. Area planted to this crop in MY2017/18 is expected to show marginal growth compared to previous season's levels.

Area and Production

Cotton area is highly inelastic, as alternatives to cottons are limited due to the salty and warm conditions where this crop is grown. Slight planted area variations can occur depending on price, water availability, and competition by other crops and subsidies available. Cotton is an input intensive crop. The vast majority of it is grown under irrigation and, as GE cotton varieties are not allowed for planting in the EU, farmers rely exclusively on the use of pesticides to reduce pest incidence.

Cotton production in Spain is concentrated in the Guadalquivir Valley, within Andalucía, Spain's southernmost region. **Graph 1** shows cotton plots distribution within the region

Graph 1. Cotton Area Distribution in MY2016/17



Source: Junta de Andalucía

In **MY2014/15** subsidies played a key role in planting decisions, in order to secure payments, farmers boosted cotton plantings and were especially careful to achieve good production levels. In **MY 2015/16** area planted to cotton returned to average levels, as securing CAP payments no longer represented an incentive. Area planted to cotton in **MY2016/17** went down as a consequence of rains in the planting season. Additionally, some losses in cotton plots have been reported as a consequence of torrential

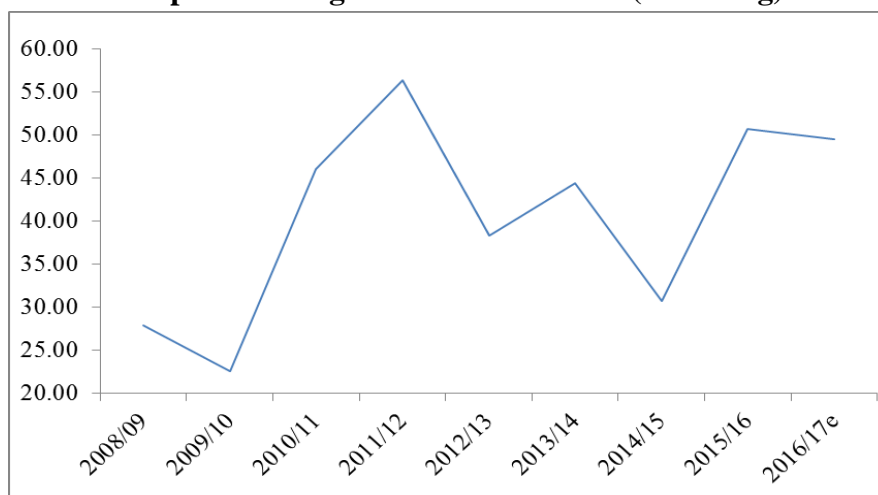
rains and flooding conditions. However, above average temperatures throughout the crop cycle, low pest incidence and absence of rain during the harvest season have allowed for increased yields, which partially offset the lower area planted. Early estimates for **MY2017/18** indicate that area planted to cotton may rebound slightly.

Table 1. Cotton Area, Production and Yields

MY	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18f
Area (1,000 Ha)	58.6	63.2	67.1	69.8	64.0	74.2	63.2	60.8	62
Production (1,000 MT)	79.2	115.1	182.8	191.7	145.6	224.7	160.0	166.7	165
Yields (Kg/Ha)	1,352	1,821	2,724	2,746	2,275	3,028	2,532	2,742	2,675

Source: MAPAMA and FAS Madrid forecasts.

Graph 2. Average Raw Cotton Prices (Euros/Kg)



Source: FAS Madrid based on MAPAMA data.

Consumption

Spain has eight ginning plants in Andalucía, of which only seven are currently operational.

According to Spanish industry, raw cotton processing rates are as follows:

- Cotton Lint yield = 32-33percent (national weighted average) of total Seed Cotton delivered to ginneries

- Cottonseed yield = 54percent (national weighted average) of total Seed Cotton delivered to above ginneries
- The remaining 13-14percent is moisture and waste¹.

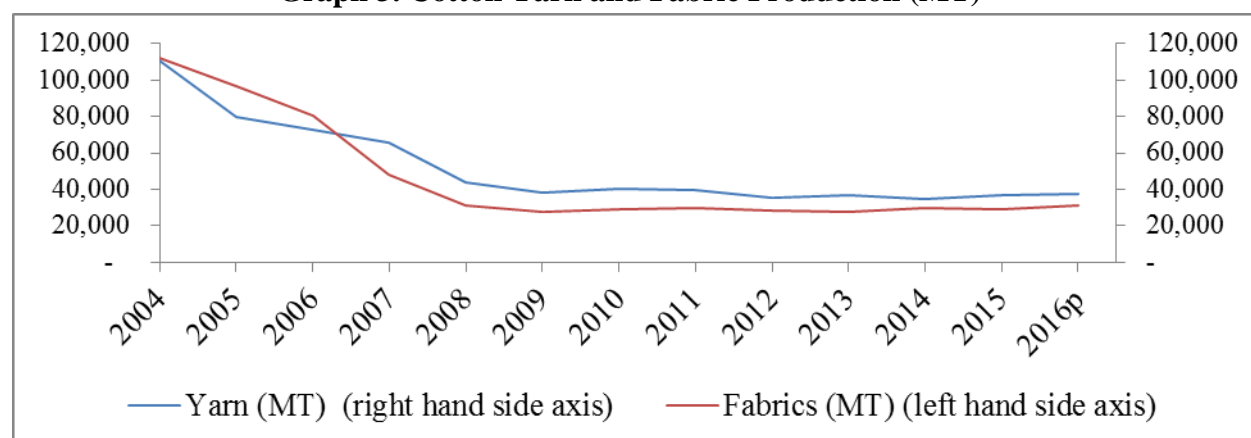
Higher Value Products – Textile Products

The Association for Industrial Textile Cotton Processing (AITPA) reports an increase in fabric production throughout 2016. In particular, a one percent growth was registered on yarn production whereas fabric production grew by eight percent (**Graph 2**). After the sharp production decline that took place between 2004 and 2009, since 2014 the textile cotton processing industry has managed to keep stable production level and even show a marginal growth. AITPA, the Spanish cotton industry board, points to the increase in exports markets demand as the main driver for the textile products output recovery.

Main destinations for Spanish yarns and fabric continue to be Morocco (twenty-seven percent) and other EU Member States, such as Italy (ten percent), Portugal (ten percent), France (eight percent) and Germany (six percent). These five markets represent over sixty percent of total cotton products exports. The recovery of the internal demand has also resulted in increased imports of cotton products. The main origins include Pakistan (eighteen percent), China (seventeen percent), Portugal (fifteen percent), Italy (thirteen percent) and Turkey (ten percent).

Industry contacts anticipate only a moderate growth in textile production in 2017 based on tepid GDP growth projections, which are normally highly correlated with textile demand evolution. Nevertheless, export markets will also play an important role in cotton industry production levels. Exchange rates, raw cotton prices and competition from third countries are key factors influencing cotton products trade.

Graph 3. Cotton Yarn and Fabric Production (MT)*



Source: FAS Madrid based on AITPA (Association for Industrial Textile Cotton Processing)

¹ Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.

p: provisional data

* *AITPA numbers include blends with synthetic yarns.*

Trade

Spain is a net exporter of cotton lint, with exports largely exceeding imports. Other EU Member States are their main destination, followed by Turkey, Morocco and Southeast Asia (**Table 3**). Spain cotton lint imports originate mainly in Pakistan, Cameroon and Turkey (**Table 4**).

Table 3. Spain Exports of Cotton Lint (MT)

Country of Destination	MY2011/12	MY2012/13	MY2013/14	MY2014/15	MY2015/16
EU-28	19,299	17,674	12,246	28,739	19,937
Turkey	452	620	1,330	2,332	8,935
Morocco	4,432	6,486	7,006	9,103	5,730
Indonesia	1,781	2,820	6,017	6,873	5,337
Bangladesh	3,174	5,254	3,196	17,012	4,672
Pakistan	101	220	1,550	520	3,131
Vietnam	1,105	1,094	3,194	3,400	2,776
Algeria	-	888	-	2,048	1,954
China	23,385	14,667	4,593	1,973	773
Other	2,944	7,671	4,977	7,232	3,853
TOTAL EXPORTS	56,673	57,394	44,109	79,232	57,098

Source: GTA.

Table 4. Spain Imports of Cotton Lint (MT)

Country of Origin	MY2011/12	MY2012/13	MY2013/14	MY2014/15	MY2015/16
EU-28	1,024	478	83	76	205
Turkey	381	728	160	390	771
Cameroon	200	0	659	120	394
Pakistan	900	599	613	575	382
Burkina Faso	266	47	75	686	327
Brazil	49	542	349	514	292
Chad	0	440	299	140	200
Benin	0	0	511	1,151	194
Togo	0	125	73	93	91
United States	0	20	97	0	0
Other	1,062	376	47	100	120
TOTAL IMPORTS	3,882	3,355	2,966	3,845	2,976

Source: GTA.

Policy

At the moment the **Cotton Specific Support**, as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 5**). Since MY2015/16 the **Cotton Quality Premium** has been phased out as has the **Integrated Farming Payments** since MY2013/14.

In 2015, the **Single Payment Scheme** was replaced by the so-called **Basic Payment**, which is not crop specific. Spain has opted for a region-based system. In the irrigated land in the Guadalquivir basin, where most of the cotton is grown, industry sources estimate that Basic Payment would add up to about 450 Euros per hectare. A large part of the support received by farmers will be linked to greening measures compliance.

Cotton Specific Support

In 2006, area planted to cotton in Spain suffered a significant decline in as a result of the implementation of the EU cotton reform, reaching a record low in MY2008/09. In MY2009/10 the Regulation (EC) 637/2008 introduced some amendments to the cotton regime: national guaranteed area was reduced from 70,000 ha to 48,000 ha with a total budget of 67.2 million Euros. Since MY2009/10 the cotton aid increased in value per hectare, but less acreage can benefit from this payment. Since MY2014/15 the reference amount for the area payment has been revised down from 1,400 Euros/Ha to 1,267.53 Euros/Ha.

Specific conditions to be eligible to receive this coupled support are defined annually in Spain's National Gazette.

[Ministerial Order APM/137/2017](#) establishes the requirements to be granted with the cotton specific premium in MY2017/18, which consists of:

- Only agricultural plots that were not planted to cotton² in the previous season, but that at least were planted to cotton once in the marketing years 2000/01, 2001/02 or 2002/13, can be subject of this specific support.
- Only cotton varieties contained in the EU Plant Varieties Common Catalogue will be receiving the cotton specific support premium.
- Seeding density should be over 100,000 plants per hectare in irrigated plots and over 90,000 plants per hectare in non-irrigated plots. Seeding density can be just 75,000 plants per hectare in case of interspecific hybrid varieties.

² *Plots below 10 Hectares exempted from this requirement.*

- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

Currently, the budget for the Cotton Specific Payment is fully used even though correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area.

Eligible area in MY2016/17 amounted to 57,381.85 Ha, down from 62,236.25 Ha in MY2015/16. Early forecasts for an increased area planted to cotton in MY2017/18 would result in a lower area payment.

Table 5. Subsidies Available for Cotton Growers

Support Scheme	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18f
Specific payment adjusted (€/ha)	1,105	1,024	983	1,060	825	978	1,059.1	990
Article 69 payment (€/ha)	289.81	224.75	-	-	-	-	-	-
Article 68 payment (Euros/MT)	-	-	77.68	95.12	57	-	-	-
Basic Payment	-	-	-	-	-	450*	450*	450*
Integrated farming aid (€/ha):								
Under 40 ha.	350	350	350					
Between 40 and 80 ha.	210	210	210	-	-	-	-	-
More than 80 ha.	105	105	105					
Basic Agro-environmental Support 2015-2020 (€/ha) (with additional Commitment)	-	-	-	-	-	290.27 (433.44)	290.27 (433.44)	290.27 (433.44)

Source: FEAGA and FAS Madrid estimates.

**Industry estimate*

The regional government of Andalucía has defined an Agro environmental measure for sustainable industrial crops (cotton and sugar beet). Commitments must be observed for a five years period.

Since MY2015/16 to be granted with the Basic Agro-environmental support Aid (290.27 €/ha), the requirements are as follows:

- Integrated farming practices must be carried out and accredited.

- Land under eligible crops³ must be at least 0.5 Ha
- Farmers must attend to two courses of mandatory training on agro-environmental commitments within the four year period.
- Crop waste, such as stocks, should be shredded and uniformly distributed.
- Farmers must accredit compliance with agro-environmental commitments.
- Farmers must grow a legume crop at least once within the five years period of commitment as a second crop to cotton. The legume crop should be carried out between autumn and up to at least February 28 of the following year, once the legume crop has reached milky stage.
- Additionally, farmers may volunteer to grow and bury a crucifer crop at least once within the five years period of commitment as a second crop to cotton. The crucifer crop should be carried out between autumn and up to at least February 28 of the following year. Those farmers can receive a total amount of 433.44 €/ha as Agro-environmental Support. Adhesion to this additional commitment is fairly limited.

Production, Supply and Demand Data Statistics

Table 6. Cotton Lint Production (Hectares, Bales)

Cotton Market Begin Year	2015/2016		2016/2017		2017/2018	
	Aug 2015		Aug 2016		Aug 2017	
Spain	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	63	63	61	61		62
Beginning Stocks	34	34	30	9		41
Production	271	250	270	261		258
Imports	14	14	15	15		15
MY Imports from U.S.	0	0	0	0		0
Total Supply	319	298	315	285		285
Exports	264	266	250	250		245
Use	25	24	25	25		28
Loss	0	0	0	0		0
Total Dom. Cons.	25	24	25	69		73
Ending Stocks	30	8	40	10		12
Total Distribution	319	298	315	285		285

(1000 HA) ,1000 480 lb. Bales

Source: FAS Madrid estimates.

³ Eligible crops include cotton and sugar beets.

Related Reports

Report Title	Date Released
Cotton and Products – Spain Update	10/21/2016
Cotton and Products – Spain Annual 2016	04/01/2016
Spain - Cotton update 2015	11/04/2015
Spain - Cotton and Products Annual 2015	3/25/2015